AGRICULTURAL OUTLOOK DIGEST

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CORN PRICES FIRMER NEXT FALL

Early prospects point to a smaller corn crop next fall but a larger carryover. With much of the carryover held under Government loan, harvesttime prices shouldn't be as volatile as last October-December. Yet, much still depends on the progress of the 1972 crop and the rate of disappearance of 1971 crop.

Last season farm and spot-market prices dropped sharply through November, then rallied as peak supplies moved into the market or under loan. Number 2 corn at Chicago and mid-month prices received by farmers looked like this:

	Chicago	U.S. farm
	Dollars per bushel	*Dollars per bushel*
September	1.16	1.11
October	1.11	1.00
November	1.08	.97
December	1.22	1.08
January	1.22	1.09
February	1.21	1.09
March	1.22	1.10

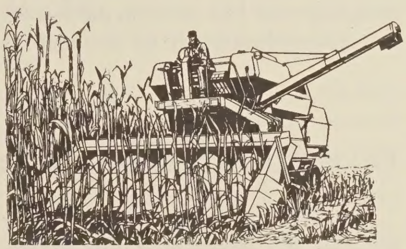
Chicago prices picked up to $1.26-7 during late April.

Huge Supply

If current early projections of fall crop production and corn carryover are realized, we'll have a total supply a little above the record 6.2 billion bushels of last season.

With over 800 million bushels of this, considerably more than last year, tied up under loan, prices would likely be a little higher than last November's harvesttime lows but show a more modest postharvest rise than last December.

Questions remain, though. What will the 1972 crop actually total? How much corn will we carry into the new season? It's too early to estimate the answers, but here are the early projections:



Trimmer Crop

Farmers reported in March they intended to plant 68½ million acres, which would yield 5.1 billion bushels with average weather. Several factors might reduce the acreage actually planted.

The March survey came before USDA had accepted farmers' bids to set aside additional corn acreage under 2 of the feed grain program options. The first option involved the set-aside of 2.2 million additional acres of corn and sorghums. The second involved setting aside another 749,000 acres. Farmers are required to plant 2 acres less corn or sorghums than in 1971 for each additional acre set aside under the second option. It is not known how much acceptance of these options has changed the prospective corn acreage.

Another factor which may have a bearing on plantings is weather. Good weather at planting time favors corn, but a delay in corn planting generally causes some switching to soybeans. High bean prices this spring are a plus factor for soybeans.

Half-Year Disappearance Up 11 percent

The 1971/72 marketing year for corn was half over on March 31. It began with a supply of 6.2 billion bushels, and the April 1 USDA grain stocks report showed remaining stocks of 3.3 billion bushels, including 1.2 billion bushels under loan and owned by CCC.

The October-March disappearance of corn was up 11 percent with increases in both domestic use and exports. Total use was 15 percent ahead of last year during October-December but slipped to 7 percent ahead for the January-March quarter.

Disappearance for the rest of the season should continue strong, with heavy feeding rates and large corn exports aided by a reduced Argentine crop. Total crop use may be up by around 10 percent over last season. Yet, with the larger total supply, the carryover next October probably will be about double the 660 million bushels carried into this season.

MAY HIGHLIGHTS

HOG SLAUGHTER DOWN; PRICES UP

The latest USDA hogs and pigs survey indicated that hog slaughter will continue down throughout 1972 and into 1973, suggesting hog prices will average above year-earlier levels.

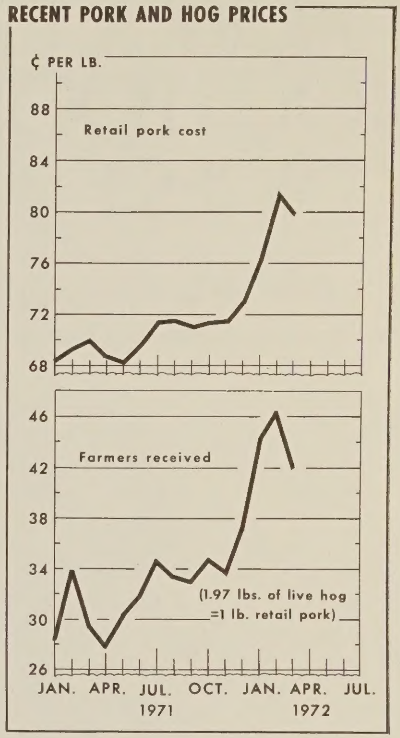
Farms in 10 Corn Belt States held 6 percent fewer market hogs than on March 1 a year before. These hogs will provide the bulk of April-September slaughter supplies. Slaughter next fall and winter also will be below a year earlier, since spring and summer (March-August) farrowing intentions are down 7 percent in the 10 States.

Prices of barrows and gilts at 7 markets in mid-April averaged $22.75 per 100 pounds, about $6.50 above a year earlier. Prices are expected to rise later this spring, reach a seasonal high this summer exceeding the 1970 July peak of $25.40, and then follow a typical pattern of summer-fall price decline. Limited supplies and strong consumer demand for meat will add strength to hog prices despite larger beef and broiler output.

Fall Farrowings Up Or Down?

Hog prices this year have been well above 1971 while feed prices have been lower. In this climate, hog producers are deciding how many sows to farrow during the last half of the year.

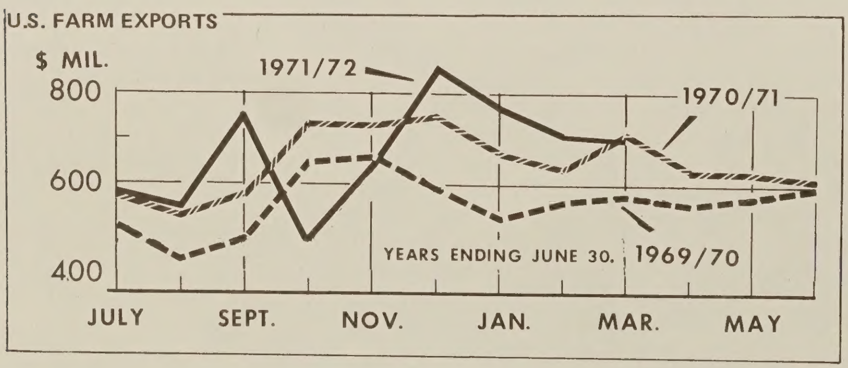
Although the price relationships might suggest an immediate upturn in farrowings, in all likelihood farrowings won't be expanded soon. Past behavior indicates that when farmers opt for smaller first-half farrowings, they don't usually change direction in the second half. And producers cut back farrowings for the first half (December 1971-May 1972) in response to unfavorable hog-feed price relationships. However, the pig crop probably won't be down in the second half (June-November) by as much as the 9-percent drop expected for the current December-May span.



FARM EXPORTS SHOW VIGOR

Agricultural exports are showing unexpected vigor three-fourths through the 1971/72 season. The previous season's exports were a memorable $7.8 billion, the highest ever. But prospects of heavier grain and tobacco supplies abroad plus the setback due to dock strikes led to initial estimates of exports falling to $7.4 billion this fiscal year.

Nevertheless, in July 1971-March 1972 exports totaled $5.97 billion, 1 percent ahead of the 9-month total a year earlier. The value gain was due to higher prices; the quantity index for the 9-month period was a little below a year earlier.



Monthly shipment values have bettered last season's records except during the October-December strike period, and for March, the latest month available. Exports in March totaled $669 million, nearly $50 million less than in March 1971.

For the entire season, farm exports are likely to improve over the earlier $7.4 billion forecast and approach last season's total.

Even though dock strikes shut down major ports, business during temporary injunctions and after strikes ended, plus shipments from nonstriking ports, made up strike losses to farm exports during the July-February period.

As expected, both food and feed grain exports were smaller. Total grain shipments for July-February were off 14 percent in value. Yet grain exports could get a boost in the next few months because Argentina has harvested a small feed grain crop.

Export values for oilseeds and products shot up 11 percent, mainly a reflection of higher prices. Protein meal exports also did well as European buyers hedged prolonged strikes.

Tobacco was up a surprising 9 percent for the 8-month period, with about half of the increase due to higher prices. The United Kingdom retrenched purchases as expected, but Japan bought heavily after New Year's. Cotton value shot up smartly because of both larger quantities and higher prices. Fruits, vegetables, and nuts also enjoyed gains on the strength of thriving world demand. Animal and product exports made a strong 11-percent advance, filling orders for dairy products, hides, and variety meats.

MORE FED CATTLE FOR SPRING AND SUMMER

Fed cattle marketings this spring and summer likely will be larger than in April-September 1971.

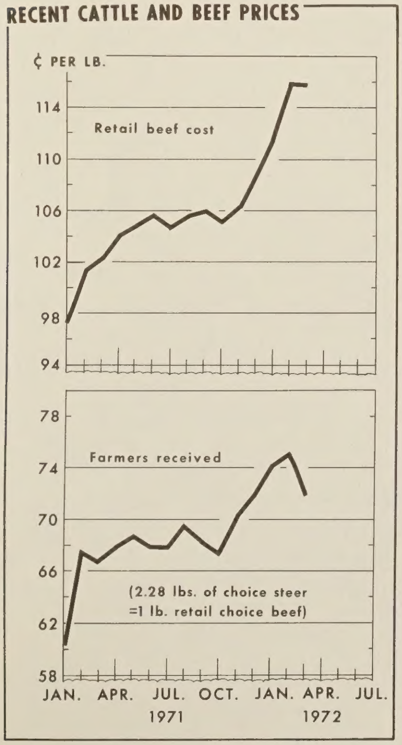
On April 1 there were 9 percent more cattle on feed than a year earlier in 23 major feeding States. Cattle finishers plan to market 6 percent more cattle during April-June than they did last year. This would be 4 percent more than they marketed during the first quarter of 1972.

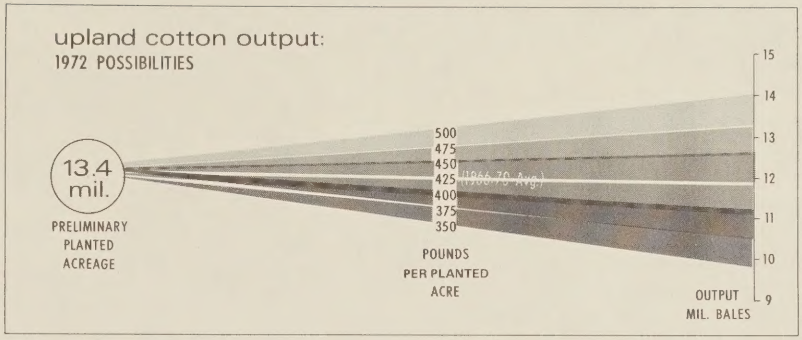
Limited Decline

The larger marketings are likely to bring only a limited price decline. Mid-April prices of Choice steers at Omaha, near $34.50 per 100 pounds, were $1.25 below the early February peak but $1.75 above a year before. Although prices could weaken further with heavier marketings this spring, they are still likely to better the April-June 1971 average of $32.60.

Come summer, marketings are likely to continue at least moderately larger than last year, since there were 11 percent more cattle on feed April 1 in weight groups that normally supply the bulk of July-September marketings.

RECENT CATTLE AND BEEF PRICES





HOW MUCH COTTON WILL WE GROW?

Weather, the most unpredictable factor affecting cotton production, can be the farmer's closest friend or worst enemy. During 4 out of the past 5 years, weather has generally been his enemy. Despite extensive irrigation, growing and harvesting conditions have been adverse and average yields have dropped well below a bale per acre.

Once again, weather holds the key. With a tenth greater acreage planned for 1972, production should increase substantially, even if yields remain at the relatively low 1966-70 level of 422 pounds per planted acre. At that rate farmers could turn out nearly 12 million bales in 1972/73. Yields approaching the higher levels of the mid-1960's, however, would add another million bales to this figure.

Cotton Supplies Dwindle

Dwindling cotton supplies this season have led to higher prices. Production fell to about 10¼ million running bales in 1971/72 and the carryover from prior crops was smaller. Supplies for the season totaled 14½ million bales, the smallest since early post-World War II days.

Cotton prices have been high. In March, despite the low quality of late harvestings, farm prices were about nickel above year-earlier quotations and spot prices showed even wider increases. Spot prices generally continued gaining strength in April.

We'll probably use and export a little over 11 million bales of cotton this year, down from last season but more than 1971 production. Carryover will be reduced to about 3-1/3 million bales, the least in recent times.

Carryovers have diminished steadily since a 1966 peak of nearly 17 million bales. Next season, however, if cotton use stays near this season's level and production gains as expected, carryover would increase.

Exports May Lose Punch

After rousing early and middle rounds, U.S. cotton exports are likely to lose ground. August-February exports in the 1971/72 crop year totaled a relatively high 2.1 million bales, ahead of last season's 1.9 million. This increase reflected both strike-delayed shipments from last year and increased needs abroad because of reduced stocks.

Although exports may hold up well in March and April, our limited supplies may curb shipments in the latter part of the season. What's more, our fellow exporters have more cotton and more man-made fibers to sell on the world market. U.S. cotton exports are likely to finish out the 1971/72 crop year at a little over 3 million bales, down from 3¾ million in 1970/71.

WANT TO GO DEEPER?

The job of this digest is to present the gist of current outlook reports from USDA. If you would like more detailed information on any of the topics discussed in this issue, write Agricultural Outlook Digest, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250, indicating the topics, and we'll send you the original reports.

SLOW EGG RECOVERY

Egg prices took an unusually sharp drop the week before Easter. They rallied in mid-April, then stayed a little below a year ago. Prices won't top 1971 levels until the seasonal spring production rise ends.

April-June prices received by producers may average near the 30 cents a dozen of last year, held down by large frozen egg stocks as well as the large output.

Last year heavy output prevented a rise in summer prices. This summer, prices should do a little better, rising seasonally as egg output tapers down relative to 1971 and prices for other high-protein foods remain relatively high.

Since a larger share of the hatched pullets are surviving, thanks to the Marek's disease vaccine, the supply of replacement pullets this summer actually may be as large as in 1971. Tapering production thus would be the result of heavier culling of the laying flock than last year.

Second half egg prices are likely to average moderately above 1971's second half level of 30.3 cents a dozen.

Broiler Buildup

While egg producers wrestle with big supplies, broiler growers are stepping up production. Output is running at record rates, responding to higher winter prices, lower pork supplies, and more favorable feed costs. First quarter broiler slaughter at Federally inspected plants was 5 percent above a year before.

Output will gain seasonally through summer and likely continue over 1971 levels after mid-year, but by a somewhat smaller margin than recently.

Farm prices, currently below a year earlier, likely will strengthen in coming months and in the second half of 1972 are expected to better last year's July-December average of 13.7 cents a pound. However, continued expansion could dampen the usual summer price gains.

Turkey: More Early Birds

More and more early-bird turkeys are marketed during the first half of the year as a staple poultry item rather than as a holiday specialty. First-half output accounted for 17 percent of 1970 production, 22 percent of 1971 output, and close to a fourth of this year's projected total.

Poult production during September 1971-February 1972 was up 7 percent, suggesting a moderate rise in first-half turkey meat output. Current hatching activities suggest that the uptrend will continue but the margin will narrow during the last months of 1972, and producers may raise 3½-5 percent more birds for all of 1972 than they did last year.

Strong demand for red meat likely will hold spring turkey prices near 1971 levels, despite the larger early turkey crop. But as summer wears on larger broiler marketings and larger turkey supplies may cause prices to lag 1971 levels.

NEWCASTLE OUTBREAK

USDA declared a national emergency in mid-March to combat a virulent poultry killer called exotic Newcastle disease. Officials hope the recent outbreak can be confined to its initial site, the San Bernadino Valley of California. Further spread of the disease in the United States could be disastrous for the poultry industry.

Exotic Newcastle is a newer and deadlier strain of the Newcastle virus. The virus can be airborne or transmitted on contaminated objects such as shoes or vehicles. The California outbreak, which now affects an 8-county area containing 33 million chickens and turkeys, spread from imported pet birds infected with the disease.

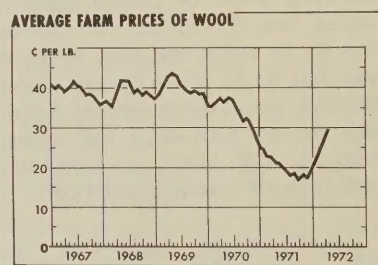
Ordinarily fatal, the infection can kill 10-20 percent of a vaccinated laying flock and drastically reduce egg output and quality in survivors. Broiler chicks too young to vaccinate would nearly all die.

After destroying 2.6 million diseased birds under an eradication program, poultrymen and State and Federal agents are working to vaccinate birds in the 8-county quarantine area with approved Newcastle vaccines. More than 17 million birds have been inoculated. A vaccination program is recommended for all poultry outside the quarantine area.

Pet bird imports have been halted from countries where the disease has been identified. Future bird imports will be quarantined in the country of origin and in the United States.

WOOL PRICES REVIVING

Wool prices have pulled out of last year's dive and are beginning to gain altitude. Producer prices fell to 19.4 cents a pound, grease basis, in 1971, close to the "ground-zero" average of 17 cents for 1930-34. Returns on 1971 marketings are being supplemented this spring with increased payments under provisions of the National Wool Act.



Producer prices climbed back to a 24-cent average by this March and late April saw further significant advances, according to sales reported from the West. Still, domestic wool prices this year have averaged well below the general level of the last 3 decades.

Rising world wool prices due to declining supplies and a pickup in demand are helping prices in the United States. The January 1 stock sheep inventory, down 7 percent from a year earlier, points to a further decline in total 1972 U.S. wool production. Last year production of shorn wool was off 2 percent to 159 million pounds, grease basis.

Rising demand for wool products this year also is important. Mill consumption of raw apparel wool, after declining 29 percent in 1971, probably will increase a little. A slightly lower ratio of stocks of fabric to unfilled orders as well as larger exports and smaller imports of semiprocessed and manufactured apparel wool textiles will stimulate mill use.